

Message Text

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UNCLAS SECTION 1 OF 2 TUNIS 5750

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SUBJECT: AGRIBUSINESS COUNCIL VISIT TO TUNISIA

1. SUMMARY: AGRIBUSINESS COUNCIL (ABC)/OPIC VISIT PROVIDED OPPORTUNITY OBTAIN TOP LEVEL GOT FEELINGS ON POTENTIAL FOR US PRIVATE SECTOR INVOLVEMENT IN AGRUBUSINESS IN TUNISIA. UNANIMOUS AGREEMENT MOUNG GOT INTERLOCUTORS THAT AG PRODUCTIVITY MUST BE IMPROVED, BUT SOME POTENTIALLY SERIOUS PROBLEMS REMAIN FOR DIRECT FOREIGN PRIVATE SECTOR PARTICIPATION. DURING VISIT ABC OUTLINED PROGRAM IT WILLING TO UNDERTAKE IN TUNISIA (REITERATED IN MUELLER LETTER TO BELKHODJA AT CONCLUSION OF VISIT) BUT ONLY AT INVITATION OF GOT, WITH GOT COMMITMENT TO SUPPORT PROGRAM WITH MANPOWER, DATA, AND MINIMAL FUNDING. PRESENT CABLE REPORTS ON VISIT AND CONVERSATIONS FOR THE RECORD; REVIEW AND ASSESSMENT US ROLE IN AGRIBUSINESS HERE UNDERWAY. END SUMMARY.

2. AGRIBUSINESS COUNCIL (ABC) TEAM CONSISTING OF KENNETH MUELLER, PRESIDENT ABC; FORREST WALLACE, MEMBER BOARD OF DIRECTORS ABC AND PRESIDENT FORREST WALLACE & ASSOC. (PRIVATE AGRIBUSINESS COMPANY); AND PHILIP MC CALLUM, DEPUTY VICE-PRESIDENT OPIC VISITED TUNISIA JULY 20-29 AS RESULT DISCUSSION ON AGRIBUSINESS INVESTMENT DURING
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1975 US-TUNISIAN JOINT COMMISSION MEETING AND JANUARY
1975 INVITATION FROM MOHAMED GHEDIRA, THEN SECY STATE

FOR AGRICULTURE, NOITWSSIDENT OF NATL FARMERS ASSOC. (UNA). DESIRE FOR VISIT OF ABC TEAM WAS REAFFIRMED BY EZZEDDINE CHELBI, CHEF DE CABINET MIN AG, MAY 1976 AND BY HABIB BOURGUIBA JR., PRESIDENT TUNISIA ECONOMIC DEVELOPMENT BANK (BDET) DURING JULY 1976 VISIT TO US, WHEN HE ENCOURAGED VISIT BY ABC TEAM. ALL MEETINGS DURING VISIT WERE ATTENDED BY CHEKIB NOUIRA (SON OF PRIME MINISTER), SPECIAL ASSISTANT TO BOURGUIBA JR. AT BDET.

3. TUNISIAN AMB TO US ALI HEDDA AND BOURGUIBA JR. ARRANGED FOR TEAM TO BE RECEIVED BY MIN AG HASSAN BELKHODJA ON FIRST WORKING DAY OF VISIT. ABC HAD PREPARED ATTRACTIVE, BOUND WRITTEN PRESENTATION ON ABC AND ITS AGRUBUSINESS INVESTMENT MISSION PROGRAM, AND PROVIDED FRENCH TRANSLATION OF COMPLETE TEXT. AFTER INITIAL COURTESIES, BELKHODJA LISTENED ATTENTIVELY TO MUELLER'S ORAL PRESENTATION OF THE PROGRAM. IN REPLY, HE STRESSED TUNISIA'S NEED FOR INCREASED AGRICULTURAL PRODUCTION AND IMPROVED PRODUCTIVITY, AND CITED THE MAJOR EMPHASIS ON AGRICULTURE IN THE UPCOMING 5TH PLAN AS EVIDENCE OF THE GOVT'S CONVICTION THAT THE AGRICULTURAL (RURAL) SECTOR MUST BE MODERNIZED. (DURING ABC VISIT, COUNCIL OF MINISTERS WAS CONSIDERING AG SECTION OF 5TH PLAN PROVIDING USEFUL PUBLIC SOURCE MATERIAL, INCLUDING PROPOSED INVESTMENT AREAS.)

4. RESPONDING TO MUELLER'S REQUEST FOR LIST OF PRIORITY PROJECTS FOR ABC CONSIDERATION, BELKHODJA SUGGESTED: 1) OLIVE OIL MARKETING; 2) WINE MARKETING AND PRODUCT IMPROVEMENTS; 3) COTTON CULTIVATION IN SOUTH UNDER IRRIGATION; 4) MEAT PRODUCTION, INCLUDING FORGE CROPS AND FEED LOT OPERATIONS; 5) TREE FRUITS, SPECIFICALLY APRICOTS, FOR EXPORT AND PROCESSING; 6) INCREASED PRODUCTIVITY OF TRADITIONAL CROPS, E.G. WHEAT. BELKHODJA EXPRESSED WILLINGNESS TO WORK TOGETHER WITH ABC, BUT MADE NO FIRM COMMITMENTS OTHER THAN AGREEING TO ASSIGN A CONTACT PERSON, IN THE MINISTRY, WHO WOULD WORK "EXCLUSIVELY WITH ABC PROGRAM". (IN LATER CONVERSATION, E. CHELBI STATED PERSON HE HAD UNCLASSIFIED UNCLASSIFIED

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SELECTED HTTQOPTACT FOR ABC WAS ON LEAVE FOR TWO WEEKS AND SPOKE NO ENGLISH).

5. CONVERSAION WITH CHELBI CONSIDERABLY MORE TECHNICAL AND DISPLAYED RELUCTANCE TO PARTICIPATE IN ABC OUTLINED PROGRAM. OVERALL, CHELBI SEEMED TO BE GOING OUT OF HIS WAY TO RAISE ECONOMIC AND POLITICAL PROBLEMS IN PATH OF AGRIBUSINESS PROJECTS--BUT WELCOMED US INVOLVEMENT IN MARKETING OF TUNISIAN PRODUCTS AND TRADITIONAL AID-TYPE LAND RECLAMATION PROJECTS.

A. CHELBI INDICTED THAT TUNISIAN FARMERS ARE PREPARED AND CAPABLE OF PRODUCING ANY CROP DESIRED BY FOREIGN MARKETING COMPANY, THUS NO NEED FOR GOT TO PARTICIPATE IN AND EXPAND ITS RESOURCES (MANPOWER) ON MARKETING STUDIES. IF MARKETING COMPANY PROVIDES FIRM FIXED PRICE/QUANTITY CONTRACTS, TUNISIAN FARMERS WILL MEET NEEDS.

B. ALTERNATIVE POSSIBILITY FOR FOREIGN INVOLVEMENT WOULD BE RECLAMATION OF PRESENTLY UNUSED AID OR SEMI-ARID LAND BY FOREIGN COMPANY (WHICH WOULD THEN HAVE RIGHT TO USE THE LAND AND MARKET PRODUCE) OR BY GOVT WHICH WOULD REQUIRE FIXED PRICE MULTI-YEAR CONTRACT INCLUDING TECHNOLOGY AND MARKETING FROM FOREIGN "PARTNER".

C. CHELBI ASSERTED THAT TUNISIAN FARMERS ARE TRADITIONALISTS WHO PREFER SECURITY (DESPITE LOWER RETURNS) OF FAMILIAR CROPS AND METHODS TO NEW CROPS AND POSSIBLY HIGHER RETURNS; HE ADDED THAT MOST FARMERS WOULD ALSO BE UNWILLING TO RENT THEIR LAND.

D. HE ALSO NOTED COMPLICATION POSED BY DOMESTIC ECONOMIC POLICY AS STATED BY MIN NATL ECON TO SUCCESSFUL AGRICULTURAL EXPORT VENTURES, CITING MIN AG AND UNA SUCCESSFUL DRIVE IN LATE 1975 TO PROMOTE PRODUCTION OF EARLY POTATOES WHICH ENDED IN DISAPPOINTMENT FOR FARMERS WHEN MIN NATL ECON REFUSED TO GRANT EXPORT LICENSES TO TAKE ADVANTAGE OF HIGH OFF-SEASON EUROPEAN PRICES, CLAIMING THAT DOMESTIC PRICES WERE ALREADY TOO HIGH, (ALTHOUGH MUCH LOWER THAN IN EUROPE).

E. HE RULED OUT FOREIGN INVOLVEMENT IN FISHERIES UNLESS FOREIGNERS WILLING TO KEEP ALL PROCEEDS IN TUNISIA (" OFFSHORE WATERS ARE A NATURAL RESOURCE
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TO BE DEVELOPED BY TUNISIA.").

F. IN REPLY TO WALLACE QUESTION, CHELBI CLAIMED SEA TRANSPORTATION FROM TUNISIA TO EUROPE IS READILY AVAILABLE AND NOT EXPENSIVE; IN ADDITION, AIR TRANSPORTATION MAY BE AVAILABLE IN NEAR FUTURE ON WIDEBODIED AIRCRAFT.

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6. MEETING WITH BOURGUIBA JR. WAS FREE-WHEELING AND ENTHUSIASTIC, PARTICULARLY ON BOURGUIBA JR'S PART FOR HIS FEED-LOT PROJECT, WHICH INTENDED REDUCE SERIOUS SHORTAGE OF RED MEAT IN TUNISIA THROUGH INTRODUCTION OF MODERN METHODS TO PROCE, PROCESS, AND MARKET IT. BOURGUIBA JR. CLAIMED IMPORTANT ROLE FOR BDET IN AGRIBUSINESS, PARTICULARLY ON PROCESSING SIDE, CITING RECENT FORMATION OF SOCIETE GENERAL D'ALIMENTATION (SGA), A GOOD AND BEVERAGE COMPANY AND SUBSIDIARY OF BDET, AS WELL AS CHEKIB NOUIRA'S PRESENCE IN OTHER MEETINGS AS EVIDENCE OF BDET ROLE. IN RESPONCSE TO MUELLER AND WALLACE QUESTIONS AS TO HOW GOT ORGANIZED TO HANDLE AGRIBUSINESS PROJECTS, BOURGUIBA JR. STATED NO COORDINATING BODY EXISTS BUT ADDED HE FELT SUCH BODY WOULD BE USEFUL AND WOULD PROPOSE ITS CREATION IMMEDIATELY TO PRIME MINISTER. HE ENVISAGED AGRICULTURAL EQUIVALENT TO EXISTING INVESTMENT PROMOTION AGENCY (API) FOR INDUBTRIAL INVESTMENT, BUT NOTED THAT API ALREADY HAS AUTHORITY OVER ALL OFF-THE-FARM STAGES OF AGRIBUSINESS OPERATIONS.

7. SUBSEQUENT MEETINGS WITH TIJANI CHELLI, PRESIDENT API, ARRANGED BY BOURGUIBA JR. CHELLI EMPHAIZED MAJOR MIN AG ROLE IN ANY AGRIBUSINESS VENTURE, BUT ALSO URGED ABC TO LOOK TO PRIVATE FARMERS WITH LARGE UNCLASSIFIED

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LAND HOLDINGS AS POTENTIAL SOURCE FOR JOINT-VENTURE PARTNERS. HE INITIATED CONTACTS FOR WALLACE TO PRUSUE EARLY FRUITS AND VEGETABLE PROPOSAL WHICH HAD PREVIOUSLY BEEN STUDIED AND ELABORATED BY WALLANCE. ABC TEAM IMPRESSED BY DYNAMIC APPROACH OF API.

8. IN MEETING WITH GHEDIRA (UNA), MUELLER REFERRED TO JANUARY 1975 INVITATION FROM GHEDIRA AS ONE SOURCE OF ABC INTEREST IN TUNISIA AND VISIT. GHEDIRA SAID HE STILL CONVINCED, AS HE WAS THEN, THAT US COLLABORATION BEST SOURCE TO MEET TUNISIAN NEEDS FOR IMPROVED AGRICULTURAL PRODUCTIVITY, CITING SPECIFICALLY NEED FOR TECHNICAL ASSISTANCE, TECHNOLOGY (SEEDS, IRRIGATION METHODS), AND MARKETING WHICH US PARTNER WOULD PROVIDE IN AGRIUBUSINESS JOINT VENTURES. ACCORDING GHEDIRA, UNA IS PRINCIPAL CONTACT POINT FOR COOPERATIVES AND PRIVATE FARMERS AND IT WOULD RECRUIT APPROPRIATE PARTNERS FOR AMERICAN INVESTORS. GHEDIRA OPTIMISTIC THAT MANY OF THE PROBLEMS ENCOUNTERED ON STATE LANDS COULD BE AVOIDED BY DEALING WITH PRIVATE FARMERS. AT LUNCHEON HOSTED BY AMB, QUESTION OF DOMESTIC VS. EUROPEAN PRICES FOR "PRIMEURS" WAS DISCUSSED, ALONG LINES EARLIER RAISED BY CHELBI. THINNESS OF EXISTING DOMESTIC MARKET CITED AS PRIMARY REASON PRICES EXCESSIVELY HIGH. DEMONSTRATION PROJECT NEEDED TO SHOW WEAKNESS OF DOMESTIC MARKET AND STRENGTH OF EXPORT MARKET TO CONVINCE FARMERS OF LONG-RUN ADVANTAGES OF DEVELOPING EXPORTABLE PRODUCTION, BEFORE OTHER POTENTIAL PRODUCERS CAPTURE ENTIRE EUROPEAN MARKET.

9. VISIT WAS CONCLUDED IN WRAP-UP MEETING WITH PRIME MINISTER HEDI NOUIRA WHO REITERATED BELKHODJA'S EMPHASIS ON TUNISIAN NEED FOR GREATER AGRICULTURAL PRODUCTIVITY AND LARGER MARKETS FOR ITS EXPORT PRODUCTS. NOUIRA RESPONDED TO MUELLER PRESENTATION OF ABC PROGRAM BY LISTING PRIORITY PROJECT AREAS AS HE SAW THEM: 1) RED MEAT; 2) INDUSTRIAL CROPS FOR NEW TUNISIAN TEXTILE AND GARMENT INDUSTRY, E.G. COTTON AND WOOL; 3) SUGAR BEETS; 4) OLIVE OIL PROCESSING AND MARKETING; AND 5) FISHERIES (SPECIFICALLY STATING THAT UNCLASSIFIED

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QUESTIONS OF MARKETS AND EXCHANGE CONTROLS COULD BE SOLVED). HE WAS IMPRESSED BY THE INTEGRATED FARM-TO-CONSUMER APPROACH OF ABC, STATING THAT TOO OFTEN PROJECTS ARE UNDERTAKEN WITH NO THOUGHT TO THE NECESSARY FOLLOW-ON PROJECTS (E.G. DAMS ARE BUILT WITHOUT CONCURRENTLY PLANNING IRRIGATION SYSTEMS OR LAND USE). AT ONE POINT, NOUIRA DESCRIBED THE ABC APPROACH AS "PERHAPS THE BEST FORM OF ASSISTANCE THE US CAN PROVIDE AT THIS TIME AS IT INCLUDES TECHNOLOGY, MARKETS, TRAINING, AND A SYSTEMATIC WAY OF APPROACHING A PROBLEM". HE ELABORATED ON IMPORTANCE OF FOOD PRODUCTION AND LOW FOOD PRICES AS KEY TO SOCIAL STABILITY. ("THE LARGE PROPORTION OF YOUNG PEOPLE

IN TUNISIA'S POPULATION IS A HANDICAP AT PRESENT AS THEY ARE NOT PRODUCTIVE, BUT MUST BE CONSIDERED AS AN INVESTMENT IN THE FUTURE; NEVERTHELESS THEIR CONSTANT EXPOSURE TO WESTERN SOCIETIES MAKES THEM MORE DEMANDING AS CONSUMERS THAN PRVIOUS GENERATIONS. THE GOVT MUST FIND SOME WAY TO COPE WITH THIS DEMAND.") CONCERNING GOT APPROVAL FOR AGRIBUSINESS PROJECTS, NOUIRA STATED THAT ONLY TWO PARTIES WOULD BE INVOLVED. I.E. THE REPRESENTATIVE OF PRIVATE FARMERS AND THE MINISTRY, IMPLYING THAT NO "COMMITTEEZ OR AGENCY IS NEEDED.

10. REFLECTING ON THE SEVERAL MEETINGS HELD DURING VISIT, ABC TEAM DECIDED IT DID NOT HAVE CLEAR MANDATE FOR ACTION FROM GOT, BUT FELT IT DESIREABLE TO MOVE AHEAD WITH AT LEAST ONE PROJECT TO DEMONSTRATE CONCEPT OF AGRIBUSINESS JOINT VENTURE AND TEST TUNISIAN REACTION. TEAM, WITH ASSISTANCE EMBASSY, DRAFTED LETTER TO BELKHODJA: 1) STATING ABC WILLINGNESS TO UNDERTAKE DEMONSTRATION PROJECT; 2) REQUESTING OFFICIAL REPLY FROM GOT FOR OVERALL INVESTMENT MISSION PROGRAM; 3) OUTLINING PROJECT AREAS ABC PREPARED TO INVESTIGATE IN GREATER DEPTH; AND 4) EXPRESSING NEED FOR GOT COORDINATING BODY TO HANDLE INTEGRATED AGRIBUSINESS PROJECTS. ABC IS AWAITING REPLY FROM BOKHODJA BEFORE PROCEEDING.

11. ABC TEAM ALSO MET WITH USAID/TUNIS TO EXPLAIN
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ABC PROGRAM AND EXPLORE POSSIBLE COLLABORATION BETWEEN AID AND ABC IN PROMOTING AGRIBUSINESS IN TUNISIA. NO COMMITMENTS MADE ON EITHER SIDE OTHER THAN TO COORDINATE EFFORTS WHERE POSSIBLE, BOTH IN US AND HERE, TO PREVENT DUPLICATION OF EFFORT. ABC AGREED TO DISCUSS TUNISIAN PROGRAM WITH AID/W OFFICIALS UPON RETURN.

12. CONTENT OF ABC INVESTMENT MISSION PROGRAM AND TEXT LETTER TO CTPZODJA AVAILABLE FROM ABC OR OPIC AND THEREFORE NOT ADDRESSED CIN DETAIL IN THIS MESSAGE.

13. EMBASSY/USAID ENGAGED IN THOROUGH REVIEW AND ASSESSMENT OF ROLE FOR US PUBLIC AND/OR PRIVATE SECTOR IN AGRIBUSINESS IN TUNISIA, BUT WISHES PERMIT INPUT FROM NEW ECON COUNS, USAID DIRECTOR AND PROGRAM OFFICER BEFORE CONCLUDING REVIEW.
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